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United States Department of State

Washington, D.C. 20520

UNCLASSIFIED
MEMORANDUM

JUL 28 1987

TO: EB/ITC - Mr. Zacharia
FROM: EB/EWT - Robert L. Price *GB*
SUBJECT: Testimony on China before the Dingell Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce

Our discussions with the majority staffer, David Claus, was straight forward and helpful. Claus does not expect any "hidden agenda" items in the testimony. He stated that the Committee is generally viewed as one that is pro-trade, pro-business and generally seeking to minimize excess government regulation. He thought the July 8 testimony probably is fine as a prepared statement. They will call me if they have any questions concerning it. I have a few updates that need to be incorporated before your testimony on August 3.

We discussed the following general areas that they thought might evoke questions following your prepared statement.

1. What are the broad USG policy goals on technology transfer toward China. How is this policy "factored down" into specific export control policy? Is the US driven by overall policy considerations on tech transfer or is the USG in a more reactive mode to meet the demands of US business for high tech sales to China?
2. Is there a general "inconsistency on licensing" caused by a stricter US interpretation of export controls compared to that of our COCOM partners. For example, why was IT&T Belgium able to make a major breakthrough in the sale of digital telephone switches to China, whereas the US could not? US business often perceive that leading edge controlled technologies are more likely to be submitted by our COCOM partners than by the US. Is this true?
3. While not planning to raise the Toshiba case per se, as a case example, what is the US doing to improve enforcement of COCOM controls?
4. Claus stated that you should not hesitate to refrain from answering questions outside your area of expertise if such questions arise. He would be pleased to work with us in defining any follow-up questions.
5. Marshall Adair is also seeking to contact the minority staff member, Jim Russell to sound out his views on the hearings.

ANSWERS TO COMMITTEE STAFF QUESTIONS

U.S. POLICY TOWARD HIGH TECH TRANSFER TO CHINA

Q: What are the broad USG policy goals on technology transfer toward China. How is this policy "factored down" into specific export control policy? Is the U.S. driven by overall policy considerations on tech transfer or is the USG in a more reactive mode to meet the demands of U.S. business for high tech sales to China?

A: IT IS THE USG'S POLICY TO ENCOURAGE TECHNOLOGY TRANSFER TO CHINA TO THE GREATEST EXTENT POSSIBLE, CONSISTENT WITH U.S. NATIONAL SECURITY CONCERNS. THIS POLICY IS BASED ON THE VIEW OF THIS ADMINISTRATION AND ITS 3 PREDECESSORS THAT A FRIENDLY, SECURE, MODERNIZING CHINA WILL CONTRIBUTE TO PEACE AND STABILITY IN EAST ASIA, AND IS IN THE GENERAL FOREIGN POLICY INTEREST OF THE U.S. IN ADDITION, CHINA IS A GROWING MARKET FOR HIGH TECH EXPORTS FROM THE U.S. AND OUR ECONOMIC COMPETITORS.

THE VAST MAJORITY OF TECHNOLOGY IS TRANSFERRED TO CHINA WITHOUT REFERENCE TO U.S. GOVERNMENT CONTROLS. THIS INCLUDES THE EDUCATION OF THE 19,000 CHINESE STUDENTS IN THE U.S., MOST OF THE ACTIVITIES UNDER THE 27 BILATERAL SCIENCE AND TECHNOLOGY PROTOCOLS, AND COMMERCIAL TRANSFERS OF TECHNOLOGY WHICH ARE NOT "HIGH-TECH" ENOUGH TO BE AFFECTED BY OUR EXPORT CONTROLS ON CHINA. (CONF)

HOWEVER, ALTHOUGH CHINA IS A FRIENDLY, NON-ALLIED COUNTRY, IT HAS STRATEGIC CAPABILITIES UNLIKE THOSE OF OTHER FRIENDLY, NON-ALLIED COUNTRIES. THEREFORE, THE USG MAINTAINS EXPORT CONTROLS ON CERTAIN EXPORTS TO CHINA FOR REASONS OF NATIONAL SECURITY. THESE CONTROLS ARE COORDINATED WITH OUR ALLIES THROUGH COCOM.

THE GENERAL GUIDELINES FOR DECISIONS ON EXPORT TO CHINA OF CONTROLLED ITEMS ARE CONTAINED IN SECTION 385.4(c) OF THE EXPORT ADMINISTRATION REGULATIONS, WHICH STATES THAT EXPORTS TO CHINA WILL GENERALLY BE TREATED LIKE EXPORTS TO OTHER FRIENDLY COUNTRIES, EXCEPT THAT "...THERE ARE CERTAIN COMMODITIES, DATA, AND ENDUSES THAT MAY REQUIRE EXTENDED REVIEW OR DENIAL. OF PARTICULAR CONCERN ARE EXPORTS THAT WOULD MAKE A DIRECT AND SIGNIFICANT CONTRIBUTION TO NUCLEAR WEAPONS AND THEIR DELIVERY SYSTEMS, ELECTRONIC AND ANTI-SUBMARINE WARFARE, INTELLIGENCE GATHERING, POWER PROJECTION, AND AIR SUPERIORITY."

CASE DECISIONS ARE MADE BASED ON THESE GUIDELINES.

INCONSISTENCY IN INTERPRETATION OF COCOM GUIDELINES

Q: Is there a general "inconsistency on licensing" caused by a stricter U.S. interpretation of export controls compared to that of our COCOM partners?

A: COCOM'S INTERNATIONAL LIST OF CONTROLLED PRODUCTS IS AGREED UPON BY ALL COCOM MEMBERS. IT IS POSSIBLE THAT THERE IS ROOM FOR INTERPRETATION IN SOME OF THE COCOM GUIDELINES, AND ONE OF OUR GOALS IN THE ONGOING LIST REVIEW AND STREAMLINING EFFORTS IS TO REMOVE AMBIGUITY IN THE LIST. THE OTA REPORT NOTED THAT THERE IS A TENDENCY FOR BUSINESSMEN TO SUSPECT THEIR COMPETITORS OF CIRCUMVENTING THE RULES. YET OTA FOUND LITTLE HARD EVIDENCE TO SUPPORT CLAIMS THAT COCOM MEMBER GOVERNMENTS ARE DOING SO. I WOULD ALSO NOTE THAT THE NATIONAL ACADEMY OF SCIENCE'S REPORT ON EXPORT CONTROLS, WHICH WAS ISSUED EARLIER THIS YEAR, HEARD SIMILAR COMPLAINTS FROM BOTH AMERICAN AND FOREIGN BUSINESSMEN. HOWEVER, DOCUMENTARY EVIDENCE WAS LACKING. NEVERTHELESS, IF WE WERE PRESENTED WITH EVIDENCE THAT A COCOM MEMBER GOVERNMENT WAS INTERPRETING THE CONTROL LIST IN A MANNER THAT OUR TECHNICAL EXPERTS CONSIDERED UNJUSTIFIED, WE WOULD TAKE UP AND ATTEMPT TO RESOLVE THE ISSUE WITH COCOM.

IT IS IMPORTANT TO REMEMBER, HOWEVER, THAT COCOM MEMBER GOVERNMENTS OFTEN PROCESS CASES THAT MUST BE SENT TO COCOM THROUGH THEIR NATIONAL REVIEW PROCEDURES MORE QUICKLY THAN THE U.S. THIS DISADVANTAGES U.S. BUSINESS.

INCONSISTENCY IN INTERPRETATION OF COCOM GUIDELINES

Q: Has the USG approved foreign COCOM cases while refusing U.S. company cases for similar products?

A: THE SAME PERSONNEL IN COMMERCE AND DEFENSE HANDLE SIMILAR FOREIGN AND U.S. CASES. STATE COORDINATES FOREIGN COCOM CASE PROCESSING BUT EXAMINES CAREFULLY ONLY THE SMALL NUMBER OF U.S. CASES WHICH ARE ESCALATED TO INTERAGENCY POLICY-LEVEL GROUPS IN WHICH STATE PARTICIPATES. WE KNOW OF NO INSTANCES IN WHICH COMMERCE AND DOD HAVE KNOWINGLY DENIED A U.S. CASE WHILE APPROVING A SIMILAR FOREIGN CASE, IN OUR COORDINATION OF FOREIGN CASE HANDLING, IF WE KNOW THAT A U.S. CASE FOR A PARTICULAR PRODUCT HAS BEEN REFUSED, WE TRY TO ENSURE THAT SIMILAR FOREIGN CASES ARE TREATED THE SAME. WE KNOW THAT IN MANY FOREIGN CASES, THE USG HAS ROUTINELY IMPOSED CONDITIONS FOR APPROVAL WHICH WERE WORD-FOR-WORD IDENTICAL TO CONDITIONS IMPOSED ON SIMILAR U.S. CASES. OF COURSE, IF THE USG APPROVES A PRECEDENT-SETTING FOREIGN CASE, U.S. COMPANIES COULD LEGITIMATELY COMPLAIN IF THEIR PREVIOUS CASES FOR SIMILAR PRODUCTS HAD BEEN REFUSED.

INCONSISTENCY IN INTERPRETATION OF COCOM GUIDELINES

Q: If there is consistency in licensing among COCOM members, why was ITT Belgium able to make a major breakthrough in the sale of digital telephone switches to China, whereas the U.S. could not?

A: IN THE PAST COUPLE YEARS THERE HAVE BEEN SEVERAL "MAJOR BREAKTHROUGH" FOREIGN CASES WHICH THE USG APPROVED. THE USG TOOK THIS ACTION AFTER RECEIVING STRONG STATEMENTS OF CONCERN THAT THE CASES BE APPROVED FROM HIGH-LEVEL FOREIGN OFFICIALS. U.S. CASES CAN RECEIVE SIMILAR HIGH-LEVEL ATTENTION IF THEY ARE BROUGHT TO THE ATTENTION OF SENIOR USG OFFICIALS BY THE CONGRESS OR PRIVATE INDUSTRY.

*** (Comment) This answer says that foreign governments can basically muscle cases through the U.S. export control system and that lower-level decisions on U.S. cases will be reversed by senior USG officials. Unfortunately, this is true, but saying so may be going too far. (End Comment)

Q: Richard Perle recently stated in a newspaper editorial that Japan submits only a fraction of the number of China cases to COCOM that the U.S. submits. Isn't this evidence of inconsistency in licensing practices?

A: THAT JAPAN SUBMITS FEWER CASES THAN THE U.S. DOES NOT NECESSARILY MEAN THAT THE JAPANESE GOVERNMENT IS CIRCUMVENTING THE COCOM GUIDELINES. NEVERTHELESS, WE HAVE NOTICED THE DISCREPANCY AND HAVE REQUESTED THE JAPANESE TO PROVIDE AN EXPLANATION. WE HAVE NOT YET RECEIVED A RESPONSE.

COCOM IMPROVEMENTS IN THE AFTERMATH OF TOSHIBA

Q: What is the U.S. doing to improve enforcement of COCOM controls?

A: -- SINCE ALL COCOM DISCUSSIONS ARE CONFIDENTIAL AND CANNOT BE SHARED WITHOUT THE CONSENT OF ALL - I AM SOMEWHAT LIMITED IN WHAT I CAN SAY, PARTICULARLY IN OPEN SESSION.

-- HOWEVER, SINCE ITS INCEPTION COCOM MEMBER NATIONS HAVE RECOGNIZED THE IMPORTANCE OF EFFECTIVE ENFORCEMENT AND HARMONIZED EXPORT CONTROL PROCEDURES TO ACHIEVE EQUIVALENT EFFECTIVENESS OF THEIR NATIONAL CONTROL SYSTEMS.

-- THE U.S. IS STRONGLY PRESSING AND WILL CONTINUE TO STRONGLY PRESS MEMBER COUNTRIES TO TAKE MORE STEPS TO IMPROVE ENFORCEMENT TO PREVENT FUTURE DIVERSIONS.

-- THE MEMBER COUNTRIES ARE FULLY AWARE OF THE SERIOUS IMPLICATIONS OF THE TOSHIBA/KONGSBERG DIVERSION AND HAVE AGREED TO FURTHER IMPROVE THEIR ENFORCEMENT AND EXPORT CONTROL SYSTEMS.

-- EVEN BEFORE THE TOSHIBA/KONGSBERG DIVERSION, WE WERE WORKING HARD WITH OTHER MEMBER COUNTRIES TO STRENGTHEN ENFORCEMENT AND IMPROVE LICENSING PROCEDURES. I CAN ASSURE YOU THAT WE WILL WORK EVEN HARDER NOW TO ACHIEVE THESE GOALS.

GENERAL Qs AND As

OTA RECOMMENDATIONS

Q: What is your opinion of the OTA recommendations for improving export control practices?

A: -- REGARDING IMPROVING THE EFFICIENCY OF EXPORT CONTROL ADMINISTRATION, STATE BELIEVES THAT CASE PROCESSING CAN AND SHOULD BE SPEEDED UP AND THAT AUTOMATED SYSTEMS WOULD IMPROVE THE EFFICIENCY OF CASE REVIEW. WE HAVE SUPPORTED STEPS OF THIS TYPE IN THE INTERAGENCY EFFORT TO IMPROVE THE EXPORT CONTROL SYSTEM.

-- REGARDING MODIFYING EXISTING EXPORT CONTROL POLICY, STATE HAS MADE RECOMMENDATIONS THAT WOULD IMPROVE THE EXISTING DISPUTE RESOLUTION MECHANISM. WE HAVE NOT YET REACHED AN INTERAGENCY DECISION ON THIS ISSUE.

-- IN THE LIST REVIEW PROCESS WE TRY TO AGREE ON CLEAR GUIDELINES AND TECHNICAL PARAMETERS. GIVEN THE COMPLEXITY OF THE INTERNATIONAL LIST, THIS IS NOT AN EASY TASK.

-- REGARDING THE DEVELOPMENT OF PLANS TO EXPAND THE GREEN ZONES, THE STATE DEPARTMENT STRONGLY SUPPORTS A FURTHER SIGNIFICANT LIBERALIZATION OF CONTROLS ON EXPORTS TO CHINA. WE ARE WORKING WITH OTHER AGENCIES TO DEVELOP LIBERALIZATION PROPOSALS. (over)

- WE THINK THE RECOMMENDATION TO IMPROVE INFORMATION EXCHANGE BETWEEN MUNITIONS AND DUAL-USE REVIEWERS IS A GOOD ONE AND THAT SUCH EXCHANGES WILL BECOME MORE IMPORTANT OVER TIME. WE WILL LOOK INTO POSSIBLE PROCEDURES TO DO THIS.
- THE ADMINISTRATION HAS PROPOSED THAT CONGRESS PROVIDE THE EXECUTIVE BRANCH WITH AUTHORITY TO ESTABLISH A DISTRIBUTION LICENSE PROCEDURE FOR CHINA. THE SENATE AND HOUSE TRADE BILLS BOTH INCLUDE SUCH A PROVISION. PRIOR TO IMPLEMENTATION OF SUCH A PROCEDURE, WE WOULD HAVE TO CONSULT WITH OUR COCOM ALLIES TO ENSURE THAT IT WOULD NOT CONFLICT WITH COCOM GUIDELINES.

SPEEDING UP COCOM CASE PROCESSING

Q: What is State doing to speed up the processing of U.S. cases in COCOM?

A: -- A STATE-LED TEAM IN APRIL OBTAINED COCOM APPROVAL FOR A REDUCTION IN THE PROCESSING TIME FOR CHINA CASES FROM 8 TO 6 WEEKS. IT SHOULD BE REMEMBERED THAT COCOM REVIEW IS INHERENTLY SOMEWHAT LENGTHY. U.S. CASES ARE SENT TO THE U.S. DELEGATION IN PARIS, THEN TO THE COCOM SECRETARIAT FOR REGISTERING AND TRANSLATION, THEN TO OTHER MEMBER COUNTRY DELEGATIONS, AND ON TO OTHER MEMBER COUNTRY CAPITALS. WHEN A DECISION IS REACHED IN THE CAPITALS, IT IS RELAYED BACK TO PARIS AND THEN BACK HERE. NEVERTHELESS, THE AVERAGE COCOM PROCESSING TIME FOR CHINA COCOM CASES IS APPROXIMATELY 40 DAYS. FOR PERSPECTIVE IT SHOULD BE NOTED THAT OTA DETERMINED THAT THE AVERAGE PROCESSING TIME FOR CHINA COCOM CASES IN THE U.S. GOVERNMENT IS APPROXIMATELY 140 DAYS.

-- MEMBERS OF MY STAFF ARE IN DAILY CONTACT WITH U.S. BUSINESS REGARDING U.S. CASES IN COCOM. THEY PROVIDE CASE STATUS INFORMATION AND ANSWER QUESTIONS.

*** (Comment) It might be going too far to finger the lengthy USG review period for COCOM China cases.

STATE DEPARTMENT VIEW OF FURTHER LIBERALIZATION

Q: What is the State Department position on further liberalization of export controls on the PRC?

A: WE SUPPORT THE PRESIDENT'S DECISION, AS CONTAINED IN HIS COMPETITIVENESS INITIATIVE, TO FURTHER LIBERALIZE EXPORT CONTROLS FOR THE PRC. A SIGNIFICANT LIBERALIZATION OF CONTROLS ON THE PRC NOW IS JUSTIFIED BY THE CONTINUING DEVELOPMENT OF U.S.-PRC RELATIONS AND CHINA'S RECORD OF PROTECTING SENSITIVE TECHNOLOGY. WE ARE WORKING FOR THE GREATEST LIBERALIZATION POSSIBLE, CONSISTENT WITH U.S. NATIONAL SECURITY CONCERNS. OF COURSE, ANY USG PROPOSALS WILL HAVE TO BE COORDINATED WITH OUR COCOM PARTNERS.

ALLIED VIEWS OF LIBERALIZATION

Q: What is the likely reaction of our allies to USG proposals for further liberalization of export controls on the PRC?

A: OUR COCOM PARTNERS GENERALLY SUPPORT FURTHER LIBERALIZATION OF CONTROLS ON THE PRC.

RUBBER-STAMPING OF GREEN ZONE CASES

Q: How are Green Zone cases processed? Do we evaluate them in terms of the Mission Areas or are they just rubber-stamped?

A: THE PRODUCTS ON THE COMMODITY CONTROL LIST ARE DUAL-USE, THAT IS, THEY CAN BE USED FOR BOTH CIVIL AND MILITARY PURPOSES. IN PLACING PRODUCTS IN THE GREEN ZONES, THE USG HAS DETERMINED THAT U.S. NATIONAL SECURITY CONCERNS ARE SATISFIED BY THE COMBINATION OF A CERTIFICATION FROM THE CHINESE THAT THE PRODUCTS WILL BE USED ONLY FOR CIVIL ENDUSES AND A JUDGEMENT THAT IF THE ITEMS WERE DIVERTED TO MILITARY USES, THE IMPROVEMENT IN CHINESE MILITARY CAPABILITIES WOULD NOT BE SIGNIFICANT. IN ADDITION, THE USG PERFORMS THE CHECKS OUTLINED BELOW.

AFTER RECEIVING A LICENSE APPLICATION, THE COMMERCE DEPARTMENT PERFORMS A TECHNICAL ANALYSIS TO DETERMINE IF THE COMMODITY FALLS WITHIN THE GREEN ZONES. IF IT DOES, THEN THE COMMODITY IS SCREENED TO DETERMINE IF IT IS NUCLEAR-RELATED AND IF THERE IS A NUCLEAR ENDUSE/END-USER. IF IT IS NUCLEAR-RELATED, THE APPLICATION IS SENT TO THE DEPARTMENT OF ENERGY FOR REVIEW. IF IT IS NOT NUCLEAR-RELATED, COMMERCE THEN MAKES A QUICK CHECK TO SEE IF THE COMMODITY IS APPROPRIATE AND REASONABLE FOR THE STATED ENDUSE. FINALLY, THE EXPORTER AND CONSIGNEE ARE CHECKED AGAINST A LIST OF KNOWN DIVERTERS. PROVIDED THAT THE ANSWERS TO THE CHECKS ABOVE ARE NOT NEGATIVE, THE APPLICATION IS THEN QUICKLY LICENSED. GREEN ZONE LICENSE APPLICATIONS ARE NOW PROCESSED BY COMMERCE IN TWO-THREE WEEKS.

EXPANSION OF ORIGINAL GREEN ZONES

Q: Have you expanded the original Green Zones to permit a further loosening of export controls for the PRC?

A: IN 1983 THE USG CREATED GREEN ZONES IN 7 PRODUCT CATEGORIES - WHICH SIGNIFICANTLY LIBERALIZED OUR NATIONAL CONTROLS ON DUAL-USE EXPORTS TO THE PRC. WE ALSO REQUESTED COCOM TO LIBERALIZE ITS CONTROLS ON THESE PRODUCTS. IN SEPTEMBER, 1985 COCOM DID SO AND IN ADDITION LOOSENED CONTROLS IN ANOTHER 20 CATEGORIES. IN MAY, 1986 COCOM AGREED TO LIBERALIZE CONTROLS IN ANOTHER 3 CATEGORIES AND IN APRIL, 1987 CREATED CHINA NOTES IN ANOTHER 2 CATEGORIES AND RAISED TECHNICAL PARAMETERS IN 10 EXISTING NOTES.

DUAL-USE VS. MILITARY TECH TRANSFER

Q: Don't you see a contradiction between growing U.S. military technology transfer to the PRC and our present export control policy for civilian items?

A: THE PRESIDENT HAS DIRECTED THAT WE SUBMIT RECOMMENDATIONS FOR LIBERALIZATION OF DUAL-USE CONTROLS ON THE PRC, IN VIEW OF THE DEVELOPMENT OF BILATERAL RELATIONS AND CHINA'S RECORD OF PROTECTING SENSITIVE TECHNOLOGY. OUR MILITARY COOPERATION WITH CHINA IS ONE REFLECTION OF THE OVERALL CONTINUING DEVELOPMENT OF RELATIONS AND IS, THEREFORE, ONE FACTOR WE HAVE TAKEN INTO ACCOUNT IN OUR REVIEW.

EXPORT CONTROL POLICY AND THE MISSION AREAS

Q: What are the 6 mission areas and how do they relate to our export control policy for the PRC?

A: SECTION 385.4 OF THE EXPORT ADMINISTRATION REGULATIONS

GIVES THE OVERALL LICENSING POLICY FOR CHINA. IT STATES,
IN PART:

THE GENERAL LICENSING POLICY IS TO CONSIDER EXPORTS FOR CHINA UNDER THE COUNTRY GROUP T AND V POLICIES SET FORTH...BELOW, EXCEPT THAT THERE ARE CERTAIN COMMODITIES, DATA, AND END-USES THAT MAY REQUIRE EXTENDED REVIEW OR DENIAL. OF PARTICULAR CONCERN ARE EXPORTS THAT WOULD MAKE A DIRECT AND SIGNIFICANT CONTRIBUTION TO NUCLEAR WEAPONS AND THEIR DELIVERY SYSTEMS, ELECTRONIC AND ANTI-SUBMARINE WARFARE, INTELLIGENCE GATHERING, POWER PROJECTION, AND AIR SUPERIORITY. LICENSES MAY BE APPROVED EVEN WHEN THE ENDUSER OR END-USER IS MILITARY. COMMODITIES OR DATA MAY BE APPROVED FOR EXPORT EVEN THOUGH THEY MAY CONTRIBUTE TO CHINESE MILITARY DEVELOPMENT.

U.S. MILITARY SALES TO CHINA

Q: Can you give some examples of the major munitions sales the U.S. has approved to the PRC?

A: THE FIRST FOREIGN MILITARY SALES (FMS) ARMS SALE TO CHINA WAS APPROVED BY CONGRESS IN OCTOBER, 1985 FOR MODERNIZATION OF LARGE CALIBER ARTILLERY MANUFACTURING PRODUCTION FACILITIES; LETTERS OF AGREEMENT WERE SIGNED IN JUNE, 1986. THE FMS AVIONICS PROJECT FOR THE CHINESE F-8 DEFENSIVE INTERCEPTOR WAS APPROVED BY CONGRESS ON MAY 8 AND BY COCOM ON JULY 24. THE END-ITEM SALE OF FOUR MARK MOD 2 TORPEDOES FOR THE PLA NAVY HAS ALSO BEEN APPROVED. THE U.S. IS MOVING AHEAD WITH ADDITIONAL FMS SALES FOR DEFENSIVE SYSTEMS, INCLUDING THE SALE OF THE AN/TPQ-37 RANGE FINDING FIELD ARTILLERY RADAR. IN ADDITION TO THE FMS SALES, THE USG HAS APPROVED A NUMBER OF MUNITIONS LICENSES FOR COMMERCIAL SALES OF MILITARY ITEMS TO CHINA.

MILITARY TECH TRANSFER

Q: What is the basis for USG decisions on military technology transfers to the PRC?

A: MILITARY EXPORTS ARE APPROVED FOR THE PRC ONLY FOLLOWING A THOROUGH ANALYSIS OF EACH ITEM'S UTILITY FOR ENHANCING CHINESE DEFENSIVE CAPABILITIES, TAKING INTO ACCOUNT THE INTERESTS AND CONCERNS OF OUR OTHER FRIENDS AND ALLIES IN THE REGION.

MUNITIONS LIST LIBERALIZATION FOR CHINA

Q: What steps has COCOM taken to liberalize the International Munitions List for China?

A: COCOM HAS APPROVED AD REFERENDUM A CAUTIOUS LIBERALIZATION OF CERTAIN MUNITIONS ITEMS TO THE PRC. WE EXPECT FINAL AGREEMENT WILL BE IMMINENT. THE MUNITIONS ITEMS IN QUESTION ARE PRIMARILY LAND-BASED DEFENSIVE ITEMS INCORPORATING TECHNOLOGY OF AT LEAST SEVEN YEARS OLD. WE BELIEVE THESE MUNITIONS ITEMS DO NOT PRESENT NATIONAL SECURITY CONCERNS.

Q: What is meant by a cautious liberalization?

A: WHILE THE COCOM REVIEW PROCESS HAS BEEN LIBERALIZED WE HAVE ACTED ON THE PRUDENT BELIEF THAT ALL MUNITIONS CASES STILL REQUIRE COCOM REVIEW. THEREFORE, WE HAVE IDENTIFIED ITEMS FOR WHICH THERE WILL BE A PRESUMPTION OF APPROVAL.

IMPACT OF RECENT CHINESE POLITICAL EVENTS ON POLICY

Q: Have recent political events in China had an impact on our technology transfer policy for the PRC?

A: WE HAVE SEEN NO INDICATION OF ANY FOREIGN POLICY CAUSE FOR OR CONSEQUENCE OF THE RECENT POLITICAL DEVELOPMENTS IN CHINA WHICH WOULD HAVE AN IMPACT ON OUR TECHNOLOGY TRANSFER POLICY FOR THE PRC. CHINA SHOWS EVERY SIGN THAT IT WANTS TO CONTINUE TO DEVELOP ITS FRIENDLY RELATIONS WITH THE U.S. AND OTHER WESTERN COUNTRIES.

SILKWORM MISSILES AND TECHNOLOGY TRANSFER POLICY

Q: Why has the U.S. not used technology transfers as leverage against PRC Silkworm transfers to Iran?

A: OVER THE LAST SEVERAL MONTHS, THE U.S. HAS REPEATEDLY APPROACHED THE PRC BOTH IN BEIJING AND IN WASHINGTON AND ASKED THAT CHINA STOP THE TRANSFER OF SILKWORM MISSILES TO IRAN. WE HAVE NOT FORMALLY LINKED THE SILKWORM ISSUE TO ANY SPECIFIC ELEMENT IN OUR COMPLEX BILATERAL RELATIONSHIP, SUCH AS TECHNOLOGY TRANSFERS. SHOULD A SILKWORM MISSILE BE USED AGAINST A U.S. SHIP, HOWEVER, IT WOULD UNDOUBTEDLY HAVE A NEGATIVE IMPACT ON U.S.-CHINA RELATIONS.

NATIONAL SECURITY CONTROLS AND COUNTRY GROUP V

Q: Why is China the only country in Country Group V for which we maintain national security controls?

A: IN 1981 THE PRESIDENT DIRECTED THAT THE U.S. SHOULD SUPPORT A SECURE, FRIENDLY, AND MODERNIZING CHINA. CONSISTENT WITH THIS POLICY, HE PLACED CHINA IN EXPORT CONTROL COUNTRY GROUP V, ALONG WITH OTHER FRIENDLY COUNTRIES OF EUROPE, AFRICA, AND ASIA. NEVERTHELESS, THE USG MAINTAINS EXPORT CONTROLS ON CERTAIN EXPORTS TO CHINA FOR REASONS OF NATIONAL SECURITY. THESE CONTROLS ARE COORDINATED WITH OUR ALLIES THROUGH COCOM.

SUPERCOMPUTER EXPORT TO CHINA

Q: What is the status of Cray's license application for the lease of an X-MP/24 supercomputer to the China National Oil Geologic Research Institute?

A: CRAY'S LICENSE APPLICATION IS CURRENTLY UNDER INTERAGENCY REVIEW IN ACCORDANCE WITH ESTABLISHED USG LICENSING PROCEDURES. IF A COMMERCE LICENSE IS APPROVED, BASED ON INTERAGENCY RECOMMENDATION, THE U.S. WILL SUBMIT THE CASE FOR COCOM REVIEW.

COCOM STREAMLINING EXERCISE

Q: What about this "streamlining" exercise, how does that fit into our plans to improve COCOM enforcement?

A: -- I CAN ONLY ANSWER IN GENERAL TERMS WHERE COCOM

DISCUSSIONS ARE CONCERNED. WE WANT TO BUILD HIGHER WALLS AROUND FEWER GOODS.

-- HOWEVER, ALL COCOM MEMBER COUNTRIES, INCLUDING THE U.S., HAVE LIMITED RESOURCES THAT CAN BE DEVOTED TO ENFORCEMENT.

-- IN ORDER TO MAKE THE BEST USE OF OUR RESOURCES, WE ALL NEED TO DEVOTE THEN TO PREVENTING DIVERSIONS OF THOSE ITEMS WHICH ARE MOST HARMFUL TO OUR NATIONAL SECURITY INSTEAD OF DISSIPATING THEM IN AN EFFORT TO CONTROL EVERYTHING - EVEN THOSE ITEMS WHICH MAY NOT BE IMPORTANT ANY LONGER TO OUR NATIONAL SECURITY.

-- "STREAMLINING" OF THE LIST SHOULD BE DIRECTED TOWARD MAKING THE BEST USE OF OUR ENFORCEMENT RESOURCES WHILE MAINTAINING ALL THE CONTROLS WE NEED FOR NATIONAL SECURITY.

-- YOU CAN ALSO CONSIDER "STREAMLINING" IN THE CONTEXT OF SIMPLIFYING THE LIST SO THAT IT IS EASIER FOR LICENSING OFFICERS AND ENFORCEMENT OFFICERS TO DO THEIR JOBS, AND U.S. INDUSTRY CAN READILY COMPLY WITH THE CONTROLS. A HUGE, COMPLICATED, OBSCURELY WORDED LISTING OF GOODS UNDER STRATEGIC CONTROLS CAN ONLY HINDER EFFECTIVE LICENSING AND ENFORCEMENT.